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North Dakota

Office of the Governor

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**Testimony of North Dakota Governor John Hoeven before the United States
House of Representatives Committee on Agriculture, Subcommittee on
General Farm Commodities and Risk Management**

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Good morning, Chairman Moran, and members of the subcommittee on General Farm Commodities and Risk Management. Thank you for inviting me here to testify. I am John Hoeven, Governor of the State of North Dakota, and I am here today to visit with you about crop insurance and its effectiveness as one of farmers' primary risk management tools. I want to discuss crop insurance as part of the comprehensive Farm Bill with its counter-cyclical safety net and its importance to North Dakota and to our nation's farmers.

We all place a very high priority on maintaining family-based agriculture. Keeping families on farms is critically important to the economies of our states. We must support traditional agriculture with the kind of safety net that will allow them to operate and at the same time to make the types of investments in value added agriculture necessary to diversify their income.

The economic wellbeing of all our citizens depends on a healthy rural economy. However, rural areas are faced with economic challenges due to the income cycles of farmers – cycles greatly influenced by the risk of weather and other perils associated with crop production.

I believe that a good farm safety net is critically important to our nation. North Dakota is one of the most agriculturally dynamic states in the nation. Agriculture and associated industries account for \$4 billion of our economy and make up 25 percent of our economic base.

We are proud to lead the nation in the production of twelve different crops, including spring wheat, durum, barley, oats, dry edible beans, flax, dry peas, lentils, sunflowers and canola. We also lead the nation as one of the highest in terms of percentage of acres insured. North Dakota producers are big user of the risk management tools that the federal government provides, and they appreciate the continued support of those programs. Nevertheless, I am here today, and in fact, in Washington this week, to advocate for additional help where the support offered by our Farm Bill and crop insurance are not enough to sustain the economic vitality of farmers, because of weather-related disasters and deficiencies in the crop insurance program.

Farmers need to be able to insure for and manage the tremendous risk that they undertake every time they put crop in the ground. They need to be able to obtain effective insurance so that when they do suffer a disaster in their fields, they don't also suffer a disaster in their balance sheets.

Producers need to be able to cover for the catastrophic loss, or the "shallow" losses, that over successive years lead to financial decline. What I call "shallow losses" are the 25 to 30 percent yield or quality losses that farmers cannot adequately insure against. These losses, however subtle, nevertheless have real impact on their profitability and, in fact, a negative impact on their actual production history.

Agriculture producers need to be able to manage the risks of not only diminished quantity, but also reduced quality due to factors beyond their control. They should be able to affordably obtain revenue protection products – crop insurance – that will help reduce exposure to market risk.

We appreciate the income protection tools that were authorized in the late 1990's and that continue to be modified in an effort to assimilate market risk in combination with crop loss. However these tools remain inadequate or too costly to protect the risk undertaken. If these tools were adequately and affordably offered to farmers – if farmers could adequately insure like other types of businesses – they wouldn't need to come to Congress seeking ad hoc disaster assistance.

I am convinced that risk management improvements and legislation aimed at enhancing crop insurance should be considered as

part of the forthcoming Farm Bill. Along with the other provisions of farm support legislation dealing with commodity programs, conservation programs and rural development, there should be a risk management title.

Historically, we have worked collaboratively to create a farm bill every five to seven years, but we only address crop insurance when it demands reform, as was done in 1980, 1984 and 2000. I, along with many members of this Committee, worked hard in 2001 and 2002 to create a long-term Farm Bill with an effective counter-cyclical safety net that allows for planting flexibility. In retrospect, it should be clear that effectual crop insurance – with provisions that meet the needs of a dynamic agriculture economy – should be included in the safety net that was conceived by and supported by farmers.

A good crop insurance system should work hand-in-glove with the right kind of Farm Bill, and we need to get it done.

Also, like the current Farm Bill, the next one should focus on providing an appropriate long-term, counter-cyclical safety net and planting flexibility. We need a bill that will ensure income stability and enable our farmers to plan for their future. Continuation of the counter-cyclical safety net and an adequate crop insurance program will keep agriculture strong. These measures are not only vitally important for our farms, they are vital to our country, in order for Americans to continue to benefit from having the highest quality, lowest cost food supply in the world.

I want to emphasize two additional key points: continued strong conservation incentives and an enhanced renewable energy title.

Farmers are good stewards of the land, and we, as a matter of national policy, should continue to encourage good conservation practices with the right kind of incentives – incentives geared to working lands. We need to see a strong conservation component in the bill. These programs should be voluntary, incentive-based efforts that will enhance farm and rangeland protection, as well as promote conservation efforts.

Of course, conservation programs can also help to reduce losses to producers, and thus to the crop insurance programs. Let me give you an

example with the use of the Emergency Watershed Protection Program (EWP) in my state.

The Natural Resources Conservation Service (NRCS) is able to use the EWP to purchase easements on cropland that has a history of recurring flooding. The EWP floodplain easement program is offered as a tool to reduce the impact of flood disasters.

The easements provide long-term economic and environmental benefits to landowners and the public. More than one-hundred twenty easements on as much as 15,000 acres of land have been purchased in North Dakota in areas along the Red, Tongue, and Pembina Rivers where chronic flooding has reduced agriculture productivity and increased farmer risk. This program has helped to provide a revenue alternative for farmers. It has in addition taken the land out of production, reducing frequent crop insurance indemnities for losses. The result is lower collective loss ratios for everyone, and consequently, more affordable crop insurance premiums.

Finally, farmers are a big part of this country's energy solution. We in North Dakota have seen exciting growth in ethanol production from corn, but like the President, and all of you, I envision a time when our fuels may be produced from switch grass or other biomass.

American farmers are already supplying our country with an environmentally sound, affordable, domestic supply of bio-based fuel and energy. They are helping us reduce our country's dependence on imported energy, and at the same time, diversifying their revenue stream to create greater financial security for themselves and greater energy security for our nation. Policy and incentives should be included in the Farm Bill that encourage investments in value-added bio-energy crop systems to help our nation secure energy independence.

Mr. Chairman, and members of the committee, in closing, it is unfortunate that the features of the current Farm Bill and crop insurance together do not adequately protect farmers from crop disasters and chronic wet or dry cycles. While emergency supplemental assistance packages have helped, they fail to provide a long-term solution that could be achieved by supplementing the crop insurance programs to meet producers' needs.

As I said, I am in our nation's capital this week along with several farmers from North Dakota, seeking help with chronic losses. They and I are here to lobby for disaster assistance. Our farmers and ranchers come from a strong and proud tradition. North Dakota producers would much rather get their income directly, from the crops they produce and the sweat of their labor. Unfortunately, however, sometimes forces outside their control make that impossible, and to secure our nation's abundant, high-quality food supply, our farmers and ranchers need help. They insure more than 90 percent of their acres with some type of coverage, but it doesn't go far enough.

Until we are able to get the right kind of crop insurance tools included in the risk management tool box available to farmers, we are forced to once again ask for disaster assistance – assistance that comes without offsets from future farm spending.

It is important that a relief package be approved in a timely manner and is tailored to meet all disaster-related losses. Without needed assistance, viable farming operations will be lost due to factors beyond the control of our producers. I ask for your support in this effort.

Thank you, again, Mr. Chairman, for the opportunity to address this committee. I would be happy to respond to any questions.